

915/989

Department of the Treasury
Internal Revenue Service

Publication 915

Social Security Benefits and Equivalent Railroad Retirement Benefits

For use in preparing
1989 Returns

Introduction

This publication contains information about the federal income tax rules for Social Security benefits and the Social Security equivalent portion of tier 1 Railroad Retirement benefits. If you received any of these benefits in 1989, part of them may be taxable. However, if the only income you received during 1989 was your Social Security or equivalent Railroad Retirement benefits, your benefits are not taxable and you probably do not have to file a return.

Whether any of your benefits will be taxable depends on the amount of your other income and your filing status.

What is discussed. Included in this publication are explanations of:

- How to figure whether your benefits are taxable,
- How to report your taxable benefits on Form 1040, with examples,
- How to treat a lump-sum benefit payment,
- How to treat repayments that are more than the benefits you received during the year, and
- Appendix of items shown in each box of your Form SSA-1099, SSA-1042S, RRB-1099, or RRB-1042S.

This publication has been prepared through the joint efforts of the Internal Revenue Service, the Social Security Administration (SSA), and the U.S. Railroad Retirement Board (RRB).

What is not discussed. This publication does not discuss the tax rules that apply to Railroad Retirement benefits other than the Social Security equivalent portion of tier 1 benefits (including special guaranty benefits). The tax rules that apply to the non-Social Security equivalent portion of tier 1 benefits, and to tier 2 benefits, vested dual benefits, and supplemental annuity benefits, are discussed in Publication 575, *Pension and Annuity Income (Including Simplified General Rule)*.

Also, not discussed are the tax rules that apply to foreign Social Security benefits. These benefits are taxable as a pension or annuity unless exempt from U.S. tax under a treaty. For example, Social Security benefits received by a U.S. citizen or resident from the Federal Republic of Germany or the United Kingdom are taxable under the tax rules discussed in Publication 575.

Other Tax Information

The following tax information may apply to you in 1989.

Credit for the elderly or the disabled. You can take this credit if you are 65 or older, or retired on disability and were permanently and totally disabled when you retired. However, you may not be able to take this credit if your income is high enough to require you to include Social Security or equivalent Railroad Retirement benefits in income. To see whether you can take this credit, get Publication 524, *Credit for the Elderly or the Disabled*.

Estimated tax. Tax is not withheld on Social Security or equivalent Railroad Retirement benefits. This means that you may have to pay estimated tax during the year. For details, get Publication 505, *Tax Withholding and Estimated Tax*, or the instructions for Form 1040-ES.

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Free Publications and Forms

If you need information on a subject not covered in this publication, you can check our other free publications. To order publications and forms, call our toll-free telephone number 1-800-424-FORM(3676) or write the IRS Forms Distribution Center for your area as shown in the income tax package.

Part of Your Social Security and Equivalent Railroad Retirement Benefits May Be Taxable

When the term "benefits" is used, it applies to Social Security benefits and to equivalent Railroad Retirement benefits. These Railroad Retirement benefits are equivalent to the Social Security benefits that a railroad employee or beneficiary would have been entitled to receive if the employee's service had been covered under the Social Security system rather than the Railroad Retirement system.

If you received these benefits during 1989, you should have received a Form SSA-1099 or a Form RRB-1099 showing the amount. For explanations of the information found on these forms, see the appendix at the end of this publication.

Who is taxed. Benefits, if taxable, must be included in the taxable income of the person who has the legal right to receive the benefits. For example, if you and your child receive benefits, but the check for your child is made out in your name, you must use only your portion of the benefits in figuring if any part is taxable to you. The portion of the benefits that belong to your child must be added to your child's other income to see if any of those benefits are taxable.

Nonresident aliens. If you are a nonresident alien, the rules discussed in this publication do not apply to you. Instead, one-half of your Social Security or equivalent Railroad Retirement benefits are taxed at a 30% rate, unless you submitted a statement to SSA or RRB beforehand claiming a tax treaty exemption. Under the treaties with Canada, Egypt, Italy, Japan, Malta, Romania, and the United Kingdom, U.S. benefits received by residents of those countries are exempt from U.S. tax. You will receive a Form SSA-1042S or RRB-1042S showing the amount of benefits. If they are taxable, the form will also show the tax rate and the amount withheld from your benefits. For more information, get Publication 519, *U.S. Tax Guide for Aliens*.

Are Any of Your Benefits Taxable?

If the only income you received during 1989 was your Social Security or equivalent Railroad Retirement benefits, your benefits are not taxable and you probably do not have to file a return.

Base amount. If you received income during 1989 in addition to Social Security or equivalent Railroad Retirement benefits, your benefits are generally not taxable if your income is not more than the following **base amounts**:

- \$25,000 if you are single.
- \$25,000 if you are married, do not file a joint return, and did not live with your spouse at any time during 1989.
- \$32,000 if you are married and file a joint return.
- \$0 if you are married, do not file a joint return, and did live with your spouse at any time during 1989.

Joint return. If you are married and file a joint return for 1989, you and your spouse must combine your incomes and your benefits when figuring if any of your combined benefits are taxable. Even if your spouse did not receive any benefits, you must add your spouse's income to yours when figuring if any of your benefits are taxable.

You can use the worksheet in the following example, substituting your own amounts, to figure whether your income is more than the base amount for your filing status. Similar worksheets are included in your Form SSA-1099 or Form RRB-1099 package.

Example. You and your spouse are filing a joint return for 1989 and you both received Social Security benefits during the year. In January 1990, you received a Form SSA-1099 showing net benefits of \$6,600 in Box 5. Your spouse received a Form SSA-1099 showing \$2,400 in Box 5. You also received a taxable pension of \$10,000 and interest income of \$500 during 1989. You did not have any tax-exempt interest in 1989. Your benefits are not taxable for 1989 because your income, as figured in the following worksheet, is not more than \$32,000.

A Write in the amount from Box 5 of all your Forms SSA-1099 and RRB-1099. Include the full amount of any lump-sum benefit payments received in 1989, attributable to both 1989 and earlier years, if you choose to report the full amount for the 1989 tax year. (If you received more than one form, combine the amounts from Box 5 and write in the total.) **A \$ 9,000**

Note. If the amount on line A is zero or less, stop here; none of your benefits are taxable this year.

B Divide the amount on line A by 2 and write in the result **B 4,500**

C Add up your taxable pensions, wages, interest, dividends, and other taxable income and write in the total **C 10,500**

D Write in any tax-exempt interest, such as interest on municipal bonds **D 0**

E Add lines B, C, and D and write in the total **E \$15,000**

Note. If the amount on line E is not more than the base amount for your filing status, none of your benefits are taxable this year.

Repayments. Any repayment of benefits you made during 1989 is automatically subtracted from the gross benefits you received in 1989. It does not matter if the repayment you made in 1989 was for a benefit you received before 1989. Your gross benefits are shown in Box 3 of Form SSA-1099 or RRB-1099 and your repayments are shown in Box 4. The amount in Box 5 shows your net benefits for 1989 (Box 3 minus Box 4). This is the amount you will use to figure if any of your benefits are taxable.

Example. In 1988 you received \$3,000 in Social Security benefits, and in 1989 you received \$2,700. In March 1989, the Social Security Administration notified you that you should have received only \$2,500 in benefits in 1988. During 1989, you repaid \$500 to the Social Security Administration. The Form SSA-1099 you received for 1989 shows \$2,700 in Box 3 and \$500 in Box 4. The amount in Box 5 shows your net benefits of \$2,200.

How Much Is Taxable?

If your benefits are taxable, use the following worksheet to figure the taxable amount (see *Examples under How to Report*, later). However, if your benefits include a lump-sum payment for an earlier year, see *Lump-Sum Benefits*, later. This means that the most that will be taxable is one-half of the benefits you received.

How much is taxable?

1. Total net benefits (see below) for year _____ \$ _____
2. One-half of line 1 amount _____ \$ _____
3. Add modified adjusted gross income (see below) _____ \$ _____
4. Total income _____ \$ _____
5. Subtract base amount (discussed earlier) _____ \$ _____
6. Excess income _____ \$ _____
7. One-half of line 6 amount _____ \$ _____
8. Taxable benefit—smaller of line 2 or line 7 _____ \$ _____

Net benefits. This is the amount that is shown in Box 5 of Form SSA-1099 and Box 5 of Form RRB-1099. If you received more than one form, you must add the amount in Box 5 of each form to get your total net benefits. See *Repayments More Than Gross Benefits*, later, if the amount of your total net benefits is a negative figure.

Modified adjusted gross income. This is the sum of your adjusted gross income plus any **tax-exempt interest** you (see below) received in 1989. Your adjusted gross income is figured without including any of your Social Security or equivalent benefits and without subtracting:

- The foreign earned income exclusion and the foreign housing exclusion or deduction,
- The exclusion of income from U.S. possessions (currently, this applies only to bona fide residents of American Samoa), or
- The exclusion of income from Puerto Rico by bona fide residents of Puerto Rico.

Form 1040EZ. If you usually file Form 1040EZ, figure modified adjusted gross income by adding:

- Adjusted gross income (line 3, Form 1040EZ),
- plus
- Any tax-exempt interest received in 1989.

Form 1040A. If you usually file Form 1040A, figure modified adjusted gross income by adding:

- Adjusted gross income (line 13, Form 1040A),
- plus
- Any tax-exempt interest received in 1989.

Form 1040. If any of your benefits are taxable, you **must** file Form 1040—you cannot use Form 1040EZ or Form 1040A to report taxable benefits. Leave line 21b, Form 1040, blank, and figure modified adjusted gross income by adding:

- Adjusted gross income (line 31, Form 1040),
- plus
- Any foreign earned income exclusion, foreign housing exclusion or deduction, or exclusion of income from U.S. possessions or Puerto Rico,
- plus
- Any tax-exempt interest received in 1989.

Figuring your IRA deduction. If you made contributions to an individual retirement arrangement (IRA) in 1989, your allowable deduction for those contributions is subtracted from your gross income in arriving at your modified AGI. Therefore, you must figure your IRA deduction before you can figure your taxable benefits.

If your deductible IRA contributions limit is reduced because you or your spouse is covered by a retirement plan at work, you must use the special worksheets in Publication 590, *Individual Retirement Arrangements (IRAs)*, to figure your IRA deduction and taxable benefits to be reported on your Form 1040.

Tax-exempt interest. Even though you do not include tax-exempt interest in income, you must enter any tax-exempt interest you received on line 8b of your Form 1040. You must add this interest to your adjusted gross income to arrive at your modified adjusted gross income. Interest you receive from municipal bonds and tax-exempt interest distributions you receive from mutual funds are examples of tax-exempt interest.

How to Report

Report your taxable benefits on Form 1040. You **cannot** use Form 1040A or Form 1040EZ. Report your net benefits (the amount in Box 5 of your Form 1099) on line 21a, Form 1040. Report the taxable part (from the last line of the worksheet) on line 21b, Form 1040.

If you are not required to use the Publication 590 worksheets (see *Figuring your IRA deduction*, earlier), you can use Worksheet #1 provided later, or you can use the worksheet in the Form 1040 instruction package. However, if you take the foreign earned income exclusion, the foreign housing exclusion or deduction, the exclusion of income from U.S. possessions, or the exclusion of income from Puerto Rico by bona fide residents of Puerto Rico, you **must**

use Worksheet #1 (unless you are required to use the Publication 590 worksheets).

Examples

Following are a few examples you can use as a guide to figure the taxable part of your benefits.

Example 1. George White is single and usually files Form 1040. During 1989, he received the following income:

Fully taxable pension	\$18,600
Wages from part-time job	\$4,400
Interest income	990
Total	\$28,990

George also received Social Security benefits during 1989. The Form SSA-1099 he received in January 1990 shows \$7,200 in Box 3, \$1,220 in Box 4, and \$5,980 in Box 5. To figure his taxable benefits, George completes the worksheet shown below.

Social Security and Equivalent Railroad Retirement Benefits Worksheet (Keep for your records)

Check only one box

- ☒ **A.** Single—enter \$25,000 on line 7 below.
- ☐ **B.** Married filing a joint return—enter \$32,000 on line 7 below.
- ☐ **C.** Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 7 below.
- ☐ **D.** Married not filing a joint return and **DID NOT** live with your spouse at any time during the year—enter \$25,000 on line 7 below.

1. Enter the total amount from **Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099** (if applicable)

5,980

Note. If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.

2. Divide the amount on line 1 by 2

2,990

3. Add the amounts on Form 1040, lines 7, 8a, 8b through 20, plus line 22. Do not include here any amounts from lines 16a or 17a of Form 1040, or from Box 5 of Forms SSA-1099 or RRB-1099

28,990

4. Add lines 2 and 3

31,980

5. Enter the amount from Form 1040, line 30

-0-

6. Subtract line 5 from line 4

31,980

7. Enter:

\$25,000 if you checked Box **A** or **D**, or
\$32,000 if you checked Box **B**, or
-0- if you checked Box **C**

25,000

8. Subtract line 7 from line 6. Enter the result, but not less than zero

6,980

Note. If line 8 is zero, stop here. None of your benefits are taxable. Do not enter any amounts on Form 1040, lines 21a or 21b, unless you checked Box **D** above. If you checked Box **D**, enter -0- on line 21b and write "D" on the dotted line to the left of line 21b. If line 8 is more than zero, go on to line 9.

9. Divide the amount on line 8 by 2

3,490

10. Taxable benefits.

• First, enter on Form 1040, line 21a, the amount from line 1 above.

• Then, compare amounts on lines 2 and 9 above, and enter the **smaller** of the two amounts on this line and also on Form 1040, line 21b

2,990

The amount on line 10 of George's worksheet shows that \$2,990 of his Social Security benefits are taxable. On line 21a of his Form 1040, George enters his net benefits of \$5,980. On line 21b, he enters his taxable part of \$2,990.

Example 2. Ray and Alice Hopkins are married and file a joint return for 1989. Ray is retired and receives a fully taxable pension of \$15,500. Ray also receives Social Security benefits and his Form SSA-1099 for 1989 shows \$5,600 in Box 5. Alice worked during the year and had wages of \$14,000. She made a deductible payment to her IRA account of \$1,000. Ray and Alice have two savings accounts and the Forms 1099-INT they received showed they had a total of \$250 in interest income for 1989. They complete the worksheet below and find that none of Ray's Social Security benefits are taxable.

Social Security and Equivalent Railroad Retirement Benefits Worksheet (Keep for your records)

Check only one box

- ☐ **A.** Single—enter \$25,000 on line 7 below.
- ☒ **B.** Married filing a joint return—enter \$32,000 on line 7 below.
- ☐ **C.** Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 7 below.
- ☐ **D.** Married not filing a joint return and **DID NOT** live with your spouse at any time during the year—enter \$25,000 on line 7 below.

1. Enter the total amount from **Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099** (if applicable)

5,600

Note. If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.

2. Divide the amount on line 1 by 2 2,800
3. Add the amounts on Form 1040, lines 7, 8a, 8b through 20, plus line 22. Do not include here any amounts from lines 16a or 17a of Form 1040, or from Box 5 of Forms SSA-1099 or RRB-1099 29,750
4. Add lines 2 and 3 32,550
5. Enter the amount from Form 1040, line 30 1,000
6. Subtract line 5 from line 4 31,550
7. Enter:

\$25,000 if you checked Box A or D, or
 \$32,000 if you checked Box B, or
 -0- if you checked Box C 32,000

8. Subtract line 7 from line 6. Enter the result, but not less than zero. -0-

Note. If line 8 is zero, stop here. None of your benefits are taxable. Do not enter any amounts on Form 1040, lines 21a or 21b, unless you checked Box D above. If you checked Box D, enter -0- on line 21b and write "D" on the dotted line to the left of line 21b. If line 8 is more than zero, go on to line 9.

9. Divide the amount on line 8 by 2 0
10. Taxable benefits.
 • First, enter on Form 1040, line 21a, the amount from line 1 above.
 • Then, compare amounts on lines 2 and 9 above, and enter the smaller of the two amounts on this line and also on Form 1040, line 21b 0

Example 3. Joe and Betty Johnson are married and file a joint return for 1989. Joe is a retired railroad worker and in 1989 received the Social Security equivalent portion of tier 1 benefits. Joe's Form RRB-1099 shows \$6,600 in Box 3, \$1,100 in Box 4, and \$5,500 in Box 5. Betty is a retired government worker. She receives a fully taxable pension of \$28,000. The only other income Joe and Betty had in 1989 was \$2,500 in interest income. They figure their taxable benefits by completing the worksheet shown below. They enter \$5,500 on line 21a, Form 1040, and \$625 on line 21b, Form 1040.

Social Security and Equivalent Railroad Retirement Benefits Worksheet (Keep for your records)

Check only one box

- ☐ A. Single—enter \$25,000 on line 7 below.
- ☒ B. Married filing a joint return—enter \$32,000 on line 7 below.
- ☐ C. Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 7 below.
- ☐ D. Married not filing a joint return and DID NOT live with your spouse at any time during the year—enter \$25,000 on line 7 below.

1. Enter the total amount from Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099 (if applicable) 5,500

Note. If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.

2. Divide the amount on line 1 by 2 2,750
3. Add the amounts on Form 1040, lines 7, 8a, 8b through 20, plus line 22. Do not include here any amounts from lines 16a or 17a of Form 1040, or from Box 5 of Forms SSA-1099 or RRB-1099 30,500
4. Add lines 2 and 3 33,250
5. Enter the amount from Form 1040, line 30 -0-
6. Subtract line 5 from line 4 33,250
7. Enter:

\$25,000 if you checked Box A or D, or
 \$32,000 if you checked Box B, or
 -0- if you checked Box C 32,000

8. Subtract line 7 from line 6. Enter the result, but not less than zero 1,250

Note. If line 8 is zero, stop here. None of your benefits are taxable. Do not enter any amounts on Form 1040, lines 21a or 21b, unless you checked Box D above. If you checked Box D, enter -0- on line 21b and write "D" on the dotted line to the left of line 21b. If line 8 is more than zero, go on to line 9.

9. Divide the amount on line 8 by 2 625
10. Taxable benefits.
 • First, enter on Form 1040, line 21a, the amount from line 1 above.
 • Then, compare amounts on lines 2 and 9 above, and enter the smaller of the two amounts on this line and also on Form 1040, line 21b 625

Example 4. Bill and Eileen Jones are married and live together but file separate returns for 1989. Bill earned \$7,800 during 1989. The only other income Bill had for the year was \$3,200 in Social Security benefits, which is shown in Box 5 of his Form SSA-1099. Bill figures his taxable benefits as shown below. He enters \$3,200 on line 21a of his Form 1040, and \$1,600 on line 21b.

Social Security and Equivalent Railroad Retirement Benefits Worksheet (Keep for your records)

Check only one box

- ☐ A. Single—enter \$25,000 on line 7 below.
- ☐ B. Married filing a joint return—enter \$32,000 on line 7 below.
- ☒ C. Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 7 below.
- ☐ D. Married not filing a joint return and DID NOT live with your spouse at any time during the year—enter \$25,000 on line 7 below.

1. Enter the total amount from Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099 (if applicable) 3,200

Note. If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.

2. Divide the amount on line 1 by 2 1,600
3. Add the amounts on Form 1040, lines 7, 8a, 9 through 20, plus line 22. Do not include here any amounts from lines 16a or 17a of Form 1040, or from Box 5 of Forms SSA-1099 or RRB-1099 7,800
4. Add lines 2 and 3 9,400
5. Enter the amount from Form 1040, line 30 -0-
6. Subtract line 5 from line 4 9,400
7. Enter:
 - \$25,000 if you checked Box A or D, or
 - \$32,000 if you checked Box B, or
 - 0- if you checked Box C -0-
8. Subtract line 7 from line 6. Enter the result, but not less than zero 9,400

Note. If line 8 is zero, stop here. None of your benefits are taxable. Do not enter any amounts on Form 1040, lines 21a or 21b, unless you checked Box D above. If you checked Box D, enter -0- on line 21b and write "D" on the dotted line to the left of line 21b. If line 8 is more than zero, go on to line 9.

9. Divide the amount on line 8 by 2 4,700
10. **Taxable benefits.**
 - First, enter on Form 1040, line 21a, the amount from line 1 above.
 - Then, compare amounts on lines 2 and 9 above, and enter the **smaller** of the two amounts on this line and also on Form 1040, line 21b 1,600

Lump-Sum Benefits

Generally, a lump-sum (or retroactive) payment of benefits is included in total benefits for the year in which it is received. However, if you receive a lump-sum payment of benefits in 1989 for one or more earlier years, you can choose to treat these benefits as received in the earlier year. You do this by figuring whether any part of these benefits is taxable based on the earlier year's income. Any part that is taxable is then added to your taxable benefits for the current year and the total is included in your current year's income.

This computation affects only the current tax year, and only the current year's income will be adjusted if you choose to treat the payment as received in an earlier year. You do **not** have to file an amended return for the earlier year.

If you received a lump-sum payment in 1989 that is for one or more earlier years, it will be included in Box 3 of your Form SSA-1099 or Form RRB-1099. The form will also show the year the payment is for. However, Form RRB-1099 will not show a breakdown by year of any lump-sum payment for years before 1986—you must write to the Railroad Retirement Board for a breakdown by year for any amount shown in Box 3 of the form. That part of any lump-sum payment for years before 1984 is not taxed and will not be shown on the form.

Once you make the election to treat a lump-sum payment as received in an earlier year, you can revoke your election only with the consent of the Internal Revenue Service.

Note. This type of lump-sum benefit payment should not be confused with the lump-sum **death** benefit that

both the SSA and RRB pay to many of their beneficiaries. No part of the lump-sum death benefit is subject to tax.

Making the election. If you received a lump-sum benefit payment in 1989 that is for one or more earlier years, you should first include all of it in total benefits received in 1989. You should then use Worksheet #1 following the discussion on repayments to figure your taxable benefits. If you determine that part of your benefits is taxable, use Worksheets #2 and #3 to apply the lump-sum payment to the years it is for. Doing this will show you if the election allows you to report a lower taxable benefit in 1989. If the election does give you a lower taxable benefit, write the letters "LSE" (to indicate the lump-sum election) to the left of line 21a on your Form 1040.

Use the following example as a guideline for filling in the worksheets at the end of this publication.

Example. In 1988 Jane Jackson applied for Social Security disability benefits, but was told that she was ineligible to receive them. Jane appealed the decision and won her appeal. In 1989, she received a lump-sum payment of \$6,000, \$2,000 of which was for 1988. Jane may take the full \$6,000 payment into account in 1989 when figuring her taxable Social Security benefits. Or she can instead choose to treat the \$2,000 in benefits for 1988 as having been received in 1988 and include in her 1989 gross income only the sum of the taxable benefits as figured on Worksheets 2 and 3. To figure whether this second option results in a lower 1989 tax for her, Jane must use Worksheets 1, 2, and 3.

Jane was single in both 1988 and 1989. In 1989, in addition to the lump-sum payment of \$6,000, she received the following income:

Fully taxable pension	\$18,000
Monthly Social Security benefits	5,000
Salary from part-time job	3,500
Interest income	2,500
Dividend income	1,500
Total income	\$30,500
Less: Social Security benefits	(5,000)
Gross income	\$25,500

Jane received the following income in 1988:

Salary (before retiring on disability)	\$20,000
Interest income	2,000
Dividend income	1,000
Gross income	\$23,000

To determine whether she should make the election, Jane uses Worksheet #1 (shown at the end of this example) to figure her total taxable benefits for 1989 by including the full lump-sum payment in total benefits received in 1989. Jane figures that her gross income would increase by \$3,000 in taxable benefits if she included the full lump-sum payment in her total 1989 benefits.

Next Jane uses Worksheet #2 (shown at the end of this example) to figure what her taxable benefits would be for 1988 if she included the \$2,000 (the lump-sum part for 1988) to her total benefits received during that year. Because she received no other Social Security benefits in 1988 and because her modified adjusted

gross income for 1998 is less than the base amount for a single person (\$25,000), Jane has no taxable benefits for 1988. Therefore, none of the \$2,000 in lump-sum benefits for 1988 has to be reported on Jane's 1989 return.

Jane then uses Worksheet #3 (shown at the end of this example) to figure what her taxable benefits for 1989 would be if she included in her total benefits received in 1989 only the part of the lump-sum payment for 1989. Jane adds this amount, \$4,000, to total benefits (\$5,000) received during the year and determines that her total taxable benefits for 1989 would be \$2,500.

Jane adds her 1988 taxable benefits, zero, (from Worksheet #2), to her 1989 taxable benefits, \$2,500 (on Worksheet #3). Thus, her total taxable benefits for 1989 would be \$2,500 if she chooses to treat the part of the lump-sum payment that is for 1988 (\$2,000) as if it were received in 1988. Jane compares the 1989 taxable benefits on Worksheet #3, \$2,500, with the amount on Worksheet #1, \$3,000 (full lump-sum payment included in 1989 benefits). Her 1989 total taxable benefits would be \$500 less if she chooses to treat \$2,000 of the lump-sum payment as received in 1988. To make this choice, Jane enters the 1989 total benefits of \$11,000 (\$5,000 plus \$6,000) on line 21a of her Form 1040 and writes the letters "LSE" (lump-sum election) next to it. Then, she enters the 1989 total taxable benefits of \$2,500 (from Worksheet #3) on line 21b.

The worksheets below show how Jane determined whether to make the election. If Jane's situation applies to you as well, use the three worksheets following the discussion on repayments to see whether you should make the election.

Social Security and Equivalent Railroad Retirement Benefits Worksheet #1 (Keep for your records)

Check only one box

- ☒ A. Single—enter \$25,000 on line 8 below.
- ☐ B. Married filing a joint return—enter \$32,000 on line 8 below.
- ☐ C. Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 8 below.
- ☐ D. Married not filing a joint return and DID NOT live with your spouse at any time during the year—enter \$25,000 on line 8 below.

1. Enter the total amount from Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099 (if applicable) 11,000

Note. If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.

2. Divide the amount on line 1 by 2 5,500

3. Add the amounts on your 1989 Form 1040, lines 7, 8a, 8b through 20, plus line 22. Do not include here any amounts from lines 16a or 17a of Form 1040, or from Box 5 of Forms SSA-1099 or RRB-1099 25,500

4. Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico by bona fide residents of Puerto Rico that you claimed -0-
5. Add lines 2, 3, and 4 31,000
6. Enter the amount from Form 1040, lines 24 through 29, plus any write-in amounts on line 30 (other than the foreign housing deduction) -0-
7. Subtract line 6 from line 5 31,000
8. Enter:
- \$25,000 if you checked Box A or D, or
\$32,000 if you checked Box B, or
-0- if you checked Box C 25,000
9. Subtract line 8 from line 7. Enter the result, but not less than zero 5,000

Note. If line 9 is zero, stop here. None of your benefits are taxable. Do not enter any amounts on Form 1040, lines 21a or 21b, unless you checked Box D above. If you checked Box D, enter -0- on line 21b and write "D" on the dotted line to the left of line 21b. If line 9 is more than zero, go on to line 10.

10. Divide the amount on line 9 by 2 3,000

11. Taxable benefits.

- First, enter on Form 1040, line 21a, the amount from line 1 above.
- Then, compare amounts on lines 2 and 10 above, and enter the smaller of the two amounts on this line. Also enter this amount on Form 1040, line 21b (unless you make the lump-sum election for benefits attributable to prior year(s)) 3,000

Social Security and Equivalent Railroad Retirement Benefits Worksheet #2 (Lump-sum for an earlier year) (Keep for your records)

Check only one box for status in earlier year

- ☒ A. Single—enter \$25,000 on line 9 below.
- ☐ B. Married filing a joint return—enter \$32,000 on line 9 below.
- ☐ C. Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 9 below.
- ☐ D. Married not filing a joint return and DID NOT live with your spouse at any time during the year—enter \$25,000 on line 9 below.

1. Enter the total amount from Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099 (if applicable) for this earlier year. Also, include the lump-sum payment received in 1989 and any earlier year that is for this earlier year 2,000

Note. If line 1 is zero or less, enter -0- on line 14 and do not complete this worksheet. Otherwise, go on to line 2.

2. Divide the amount on line 1 by 2 1,000

3. Enter adjusted gross income reported on your return for this earlier year	23,000
4. Enter the amount of any deduction for a married couple when both work, foreign earned income exclusion, foreign housing exclusion or deduction, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico that you claimed in this earlier year	-0-
5. Enter any tax-exempt interest received in this earlier year	-0-
6. Add lines 2, 3, 4, and 5	24,000
7. Enter taxable benefits you reported for this earlier year	-0-
8. Subtract line 7 from line 6	24,000
9. Enter:	
\$25,000 if you checked Box A or D, or	
\$32,000 if you checked Box B, or	
-0- if you checked Box C	25,000
10. Subtract line 9 from line 8. If zero or less, enter -0- on line 14	-0-
11. Divide the amount on line 10 by 2	
12. Refigured taxable benefits. Enter the amount from line 2 or line 11, whichever is smaller	
13. Enter taxable benefits reported on your return for this earlier year or as refigured due to a previous lump-sum payment for this earlier year	
14. Taxable benefits. Subtract line 13 from line 12. This amount is due to a lump-sum payment received in 1989 that is for this earlier year. Enter this amount on line 12 of Worksheet #3	-0-

Social Security and Equivalent Railroad Retirement Benefits
Worksheet #3 (Lump-sum for 1989)
 (Keep for your records)

Check only one box.

- ☒ **A.** Single—enter \$25,000 on line 8 below.
- ☐ **B.** Married filing a joint return—enter \$32,000 on line 8 below.
- ☐ **C.** Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 8 below.
- ☐ **D.** Married not filing a joint return and DID NOT live with your spouse at any time during the year—enter \$25,000 on line 8 below.

1. Enter the total amount from Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099 (if applicable) for 1989. However, include only that part of any lump-sum payment received that is for 1989

9,000

Note. If line 1 is zero or less, enter -0- on line 11. Otherwise, go on to line 2.

2. Divide the amount on line 1 by 2

4,500

3. Add the amounts on your 1989 Form 1040, lines 7, 8a, 8b through 20, plus line 22. Do not include here any amounts from lines 16a or 17a of Form 1040, or from Box 5 of Forms SSA-1099 or RRB-1099	25,500
4. Enter the amount of any foreign earned income exclusion, foreign housing exclusion or deduction, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico that you claimed for 1989	-0-
5. Add lines 2, 3, and 4	30,000
6. Enter the amount from Form 1040, lines 24 through 29, plus any write-in amounts on line 30 (other than the foreign housing deduction)	-0-
7. Subtract line 6 from line 5	30,000
8. Enter:	
\$25,000 if you checked Box A or D, or	
\$32,000 if you checked Box B, or	
-0- if you checked Box C	25,000
9. Subtract line 8 from line 7. If zero or less enter -0- on line 11	5,000
10. Divide the amount on line 9 by 2	2,500
11. Enter the amount from line 2 or line 10 above, whichever is smaller	2,500
12. Enter amounts from line 14 of Worksheet #2 for each earlier year the lump-sum payment was for	-0-
13. Taxable benefits. Add lines 11 and 12. These are your taxable benefits under the Lump-Sum Election method. Enter on Form 1040, line 21b, the smaller of the taxable benefits determined using this method or using Worksheet #1. If you use the amount from line 13 of this worksheet, write "LSE" to the left of line 21a, Form 1040	2,500

If you make the election discussed above in 1989 and adjusted your 1988 income on Worksheet #2, use the adjusted figure to compute the taxable portion of any lump-sum benefit payment you receive in 1990 that is for 1988.

More than one earlier year. You may have received a lump-sum benefit in 1989 that is for 1989 and more than one earlier year going back to 1984 (the first year Social Security benefits were subject to tax). Use a separate Worksheet #2 for each earlier year to which the lump-sum payment applies. You can still use the Jane Jackson example as a guideline—just make a computation for each year the payment is for.

Repayments More Than Gross Benefits

In some situations, your Form SSA-1099 or Form RRB-1099 will show that the total benefits you repaid (Box 4) is more than the gross benefits (Box 3) you received. If this occurred, the amount in Box 5 will be a negative figure and none of your benefits will be taxable. If you receive more than one form, a negative figure in Box 5 of one form is used to offset a positive figure in Box 5 of another form. If you have any questions about this negative figure, contact your local Social Security Administration office or your local Railroad Retirement Board field office.

Joint return. If you and your spouse file a joint return, and your Forms SSA-1099 or RRB-1099 show that your repayments are more than your gross benefits, but your spouse's are not, subtract the amount in Box 5 of your form from the amount in Box 5 of your spouse's form to get your net benefits when figuring if your combined benefits are taxable.

Example. John and Mary are married and file a joint return for 1989. John received Form SSA-1099 showing \$2,000 in Box 5. Mary also received Form SSA-1099 and the amount in Box 5 was (\$500). John and Mary will use \$2,500 (\$3,000 minus \$500) as the amount of their net benefits when figuring if any of their combined benefits are taxable.

Repayment of benefits received in an earlier year. If the sum of the amount shown in Box 5 of all of your Forms SSA-1099 and Forms RRB-1099 is a negative figure and part or all of this negative figure is for benefits you included in gross income in 1984, 1985, 1986, 1987, or 1988, you can take an itemized deduction for the amount of the negative figure that represents those benefits. This deduction, if \$3,000 or less, is subject to the 2% of adjusted gross income limit that applies to certain miscellaneous itemized deductions.

If this deduction is more than \$3,000, you should figure your tax two ways:

- 1) Figure your tax for 1989 with the itemized deduction. This deduction is **not** subject to the 2% of adjusted gross income limit that applies to certain miscellaneous itemized deductions.
- 2) Figure your tax for 1989 without the deduction. If a portion of the negative figure represents a repayment of 1984 benefits, you must first recompute your 1984 tax, reducing your 1984 Social Security benefits by that portion. Recompute your 1985, 1986, 1987, and 1988 tax in the same manner, using any portion of the negative figure that represents a repayment of benefits for those years. Reduce your 1989 tax, figured without the deduction, by the total decrease in your 1984, 1985, 1986, 1987, or 1988 tax as recomputed.

Compare the tax figured in methods (1) and (2). Your tax for 1989 is the lesser of the two amounts. If method (1) results in less tax, take the itemized deduction on Schedule A (Form 1040). If method (2) results in less tax, claim a credit for the applicable amount on line 62 of Form 1040 and write "I.R.C. 1341" in the margin to the left of line 62. If both methods produce the same tax, deduct the repayment on Schedule A.

Social Security and Equivalent Railroad Retirement Benefits

Worksheet # 1

(Keep for your records)

Check only one box:

- ☐ A. Single—enter \$25,000 on line 8 below.
- ☐ B. Married filing a joint return—enter \$32,000 on line 8 below.
- ☐ C. Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 8 below.
- ☐ D. Married not filing a joint return and DID NOT live with your spouse at any time during the year—enter \$25,000 on line 8 below.

1. Enter the total amount from Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099 (if applicable) 1. _____

Note. If line 1 is zero or less, stop here; none of your benefits are taxable.

Otherwise, go on to line 2.

2. Divide the amount on line 1 by 2 2. _____

3. Add the amounts on your 1989 Form 1040, lines 7, 8a, 8b through 20, plus line 22. Do not include here any amounts from lines 16a or 17a of Form 1040, or from Box 5 of Forms SSA-1099 or RRB-1099 3. _____

4. Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico by bona fide residents of Puerto Rico that you claimed 4. _____

5. Add lines 2, 3, and 4 5. _____

6. Enter the amount from Form 1040, lines 24 through 29, plus any write-in amounts on line 30 (other than the foreign housing deduction) 6. _____

7. Subtract line 6 from line 5 7. _____

8. Enter:

\$25,000 if you checked Box A or D, or

\$32,000 if you checked Box B, or

-0- if you checked Box C 8. _____

9. Subtract line 8 from line 7 9. _____

Note: If line 9 is zero, stop here. None of your benefits are taxable.

Do not enter any amounts on Form 1040, lines 21a or 21b, unless you checked Box D above. If you checked Box D, enter -0- on line 21b and write "D" on the dotted line to the left of line 21b. If line 9 is more than zero, go on to line 10.

10. Divide the amount on line 9 by 2 10. _____

11. Taxable benefits.

• First, enter on Form 1040, line 21a, the amount from line 1 above.

• Then, compare the amounts on lines 2 and 10 above, and enter the **smaller** of the two amounts on this line. Also enter this amount on Form 1040, line 21b (unless you make the lump-sum election for benefits attributable to earlier year(s)) 11. _____

Note: Use this worksheet whether or not you received a lump-sum payment. If you received a lump-sum payment in this year that was for an earlier year, see *Lump-Sum Benefits*, earlier. As that discussion suggests (under *Making the election*), complete Worksheets #2 and #3 to see whether you can report a lower taxable benefit.

Social Security and Equivalent Railroad Retirement Benefits Worksheet #2 (Lump-sum for an earlier year)

(Keep for your records)

Enter earlier year _____

Check only one box for status in earlier year:

- ☐ **A.** Single—enter \$25,000 on line 9 below.
- ☐ **B.** Married filing a joint return—enter \$32,000 on line 9 below.
- ☐ **C.** Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 9 below.
- ☐ **D.** Married not filing a joint return and DID NOT live with your spouse at any time during the year—enter \$25,000 on line 9 below.

1. Enter the total amount from Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099 (if applicable) for this earlier year. Also, include the lump-sum payment received in 1989 and any earlier year that is for this earlier year..... 1. _____
- Note.** If line 1 is zero or less, enter -0- on line 14 and do not complete this worksheet. Otherwise, go on to line 2.
2. Divide the amount on line 1 by 2 2. _____
3. Enter adjusted gross income reported on your return for this earlier year 3. _____
4. Enter any deduction for a married couple when both work, foreign earned income exclusion, foreign housing exclusion or deduction, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico that you claimed in this earlier year ... 4. _____
5. Enter any tax-exempt interest received in this earlier year 5. _____
6. Add lines 2, 3, 4, and 5. 6. _____
7. Enter taxable benefits reported on your return for this earlier year 7. _____
8. Subtract line 7 from line 6 8. _____
9. Enter:
\$25,000 if you checked Box A or D,
\$32,000 if you checked Box B, or
-0- if you checked Box C 9. _____
10. Subtract line 9 from line 8. If zero or less, enter -0- on line 14 10. _____
11. Divide the amount on line 10 by 2 11. _____
12. **Refigured taxable benefits.** Enter the amount from line 2 or line 11, whichever is smaller 12. _____
13. Enter taxable benefits reported for this earlier year or as refigured due to a previous lump-sum payment for this earlier year 13. _____
14. **Taxable benefits.** Subtract line 13 from line 12. This amount is due to lump-sum payment received in 1989 that is for this earlier year. Enter this amount on line 12 of Worksheet #3 14. _____

Note: Do not file an amended return for this earlier year. Complete a Worksheet #2 for each earlier year the lump-sum payment is for.

Social Security and Equivalent Railroad Retirement Benefits Worksheet #3 (Lump-sum payment for 1989)

(Keep for your records)

Check only one box:

- ☐ A. Single—enter \$25,000 on line 8 below.
- ☐ B. Married filing a joint return—enter \$32,000 on line 8 below.
- ☐ C. Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 8 below.
- ☐ D. Married not filing a joint return and DID NOT live with your spouse at any time during the year—enter \$25,000 on line 8 below.

1. Enter the total amount from Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099 (if applicable) for 1989. However, include only that part of any lump-sum payment received that is for 1989.....

1. _____

Note. If line 1 is zero or less, enter -0- on line 11. Otherwise, go on to line 2.

2. Divide the amount on line 1 by 2
3. Add the amounts on your 1989 Form 1040, lines 7, 8a, 8b through 20, plus line 22. Do not include here any amounts from lines 16a or 17a of Form 1040, or from Box 5 of Forms SSA-1099 or RRB-1099

2. _____

3. _____

4. Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico that you claimed for 1989.....

4. _____

5. Add lines 2, 3, and 4

5. _____

6. Enter the amount from Form 1040, lines 24 through 29, plus any write-in amounts on line 30 (other than the foreign housing deduction)

6. _____

7. Subtract line 6 from line 5

7. _____

8. Enter:

\$25,000 if you checked Box A or D, or

\$32,000 if you checked Box B, or

-0- if you checked Box C.....

8. _____

9. Subtract line 8 from line 7. If zero or less, enter -0- on line 11

9. _____

10. Divide the amount on line 9 by 2

10. _____

11. Enter the amount from line 2 or line 10 above, whichever is smaller

11. _____

12. Enter amounts from line 14 of Worksheet #2 for each earlier year the lump-sum payment was for

12. _____

13. **Taxable benefits.** Add lines 11 and 12. These are your taxable benefits under the Lump-Sum Election method. Enter on Form 1040, line 21b, the **smaller** of the taxable benefits determined using this method or using Worksheet #1. If you use the amount from line 13 of this worksheet, write "LSE" to the left of line 21a, Form 1040

13. _____

Appendix

This appendix explains the items shown on the benefit statements—Form SSA-1099 and Form RRB-1099. Other benefit statements for nonresident aliens, Forms SSA-1042S and RRB-1042S, contain the same items plus a few additional ones. These are also explained.

Form SSA-1099

Enclosed with this form will be IRS Notice 703 that contains a worksheet to help you figure if any of your benefits are taxable.

Box 1—Name

The name shown in this box refers to the person for whom the Social Security benefits shown on the statement were paid. If you received benefits for yourself, your name will be shown. If you received benefits for another person, that person's name will be shown.

Box 2—Beneficiary's Social Security Number

This is the Social Security number, if known, of the person named in Box 1. **Note:** In all your correspondence with the Social Security Administration (SSA), be sure to use the claim number shown in Box 7.

FORM SSA-1099 — SOCIAL SECURITY BENEFIT STATEMENT

1989

• PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME
• YOU MAY OWE A SUPPLEMENTAL MEDICARE HOSPITAL INSURANCE PREMIUM IF BOX 6 SHOWS THAT YOU ARE MEDICARE ELIGIBLE.
• SEE ENCLOSED NOTICES FOR MORE INFORMATION.

Box 1. Name		Box 2. Beneficiary's Social Security Number	
Box 3. Benefits Paid in 1989	Box 4. Benefits Repaid to SSA in 1989	Box 5. Net Benefits for 1989 (Box 3 minus Box 4)	
DESCRIPTION OF AMOUNT IN BOX 3		DESCRIPTION OF AMOUNT IN BOX 4	
		Box 6. Medicare Eligible for More than 6 Months	
		Box 7. Claim Number (Use this number if you need to contact SSA.)	

Form SSA-1099-SM (1-90)

DO NOT RETURN THIS FORM TO SSA OR IRS

Box 3—Benefits for 1989*

The figure shown in this box is the total amount of benefits paid in 1989 to you (the person named in Box 1).

This figure may not agree with the amounts you actually received because adjustments may have been made to your benefits before you received them. An asterisk (*) after the figure shown in this box means that it includes benefits received in 1989 for one or more earlier years after 1983.

Description of Amount in Box 3

This portion of the form describes the items included in the amount shown in Box 3. It lists the benefits paid and any adjustments made. Only the adjustments that apply to you will be shown. If no adjustments were made to the benefits paid, the word "none" will be shown.

Amounts paid by check or direct deposit. This is the amount you actually received or that was deposited directly into your account in a financial institution in 1989, or that was paid to others in 1989 in response to a court order for alimony or child support.

Additions. The following adjustment items may have been deducted from your benefits in 1989. If amounts appear on your Form SSA-1099 next to these items, they will be added to the figure shown in *Amounts paid by check or direct deposit*. These amounts are treated as benefits paid because you authorized the deduction or because it is required by law.

Medicare premiums paid for you. If you have Medicare premiums deducted from your benefits, this is the amount that was withheld during 1989. The basic

monthly premium in 1989 was \$31.90, but it could be higher if you enrolled after you were first eligible or if you had a break in coverage.

Workers' compensation offset. If you are disabled and receive workers' compensation or Part C Black Lung payments, your benefits are subject to a payment limit. An entry will be shown here if your benefits were reduced to stay within this limit. An entry will also be shown here if your benefits were reduced because the person on whose Social Security record you were paid is disabled and also received workers' compensation or Part C Black Lung payments.

Fees paid to an attorney or other legal obligations. If you had an attorney handle your Social Security claim, the figure shown here is the fee withheld from your benefits and paid directly to your attorney. In addition, if you are required to pay child support or alimony and these payments were withheld from your benefits, the entry here shows the total amount of such payments withheld.

Deductions for work or other adjustments. Amounts withheld from your benefits because of work or to recover an overpayment of any type of benefit are benefits paid to you and will be shown here. They also may be treated as benefits repaid to SSA and included in the amount in Box 4.

Amounts paid to another family member. Often, several family members living in a single household receive benefits based on just one worker's Social Security record. In many cases, each person's benefit is

lowered so that the total is no more than the maximum allowed to be paid. If one person is working and earning too much to be eligible to receive benefits, SSA could raise the benefits paid to the other family members. But because the total amount paid to the household would not change, SSA continues paying the working person rather than refiguring the benefits of those eligible. The benefits paid to the working person, however, are for the use of the other family members and are treated as though they were actually paid to them. If an entry is shown here, it is the amount actually paid to the working person in your family which should have been paid to you.

Example. Anne and her three children receive Social Security benefits based on the Social Security record of Anne's deceased husband. As a family, they are entitled to \$300 a month, or \$150 each. However, Anne worked and earned too much to be eligible to receive Social Security benefits. SSA continued to pay Anne \$150 a month, rather than stopping payments to her and increasing the payments for each child by \$50 a month to \$200. On the Form SSA-1099 for each child, there will be an entry of \$600 as *Amounts paid to another family member*. On Anne's Form SSA-1099, there will be a subtraction entry of \$1,800 as *Amounts for other family members paid to you*.

Amounts withheld to recover SSI payments. Part of a person's supplemental security income (SSI) payments is withheld if that person also receives Social Security benefits. When a person applies for both Social Security benefits and SSI payments, the SSI payments may sometimes be made before a decision on the person's Social Security claim is made. After the person is found eligible for Social Security benefits, the amount that should have been withheld from the SSI payments is deducted from the Social Security benefits. These amounts are considered Social Security benefits. An entry here means that an amount was deducted from your Social Security benefits to recover part of your SSI payments.

Total Additions. The figure shown here is the sum of the amounts paid by check or direct deposit plus all the additions described above.

Subtractions. The following adjustment items may have been included in the payments you received in 1989. If amounts appear on your Form SSA-1099 next to these items, they will be subtracted from *Total Additions*.

Payments for months before December 1983.

The figure shown here is the amount of benefits you received in 1989 that was for months before December 1983. These benefits are not taxable regardless of when they are paid.

Amounts for other family members paid to you. If you worked and earned too much to be eligible to receive benefits, you still may have been paid benefits that were for the use of other family members. An entry here means this situation applied to you. The benefits paid to you that were for the other family members will be included (as an addition) on their Forms SSA-1099. See *Amounts paid to another family member* under *Additions*, earlier.

Lump-sum death payment. The lump-sum death payment is not subject to tax. An entry here means you received this kind of payment in 1989.

Amounts refunded to you. The amount shown here may include Medicare premiums you paid that were in excess of the amount actually due. It also may include amounts withheld in 1988 to pay your attorney if the amounts were larger than the fee actually paid.

Total Subtractions. The figure shown here is the sum of all the subtractions described above.

Benefits for 1989. The amount shown here is the result of subtracting the figure in *Total Subtractions* from the figure in *Total Additions*. This is the same amount as that shown in Box 3.

***Box 3 includes \$_____ paid in 1989 for 1988, 1987, 1986, 1985, or 1984.** The figure shown here is the amount of any lump-sum benefit payment received in 1989 that is for 1988, 1987, 1986, 1985, or 1984. See *Lump-Sum Benefits*, earlier, for a full discussion on how these payments are handled.

Box 4—Benefits Repaid to SSA in 1989

The figure shown in this box is the total amount of benefits you repaid to SSA in 1989.

Description of Amount in Box 4

This portion of the form describes the items included in the amount shown in Box 4. It lists the amount of benefit checks you returned to SSA and any adjustments for other types of repayments. The amounts listed include all amounts repaid in 1989, regardless of when the benefits were received. Only the repayments that apply to you will be shown. If you did not make any repayments, the word "none" will be shown.

Amounts of any of your Social Security checks that were returned to SSA. If any of your benefit checks were returned to SSA, the total is shown here.

Adjustments for work and/or overpayments. If you had any amounts withheld from your benefit checks because of work or to recover an overpayment of retirement, survivors, or disability benefits, the total will be shown here. This may also be shown as *Deductions for work or other adjustments* under *Description of Amount in Box 3*.

Amounts paid to SSA in cash, or by personal check or money order, etc., excluding Medicare premiums. This is the amount you repaid to SSA by direct remittance.

Benefits Repaid to SSA in 1989. The amount shown here is the sum of all your repayments. This total is the same as that shown in Box 4.

Box 5—Net Benefits for 1989 (Box 3 minus Box 4)

The figure in this box is the net amount of benefits paid to you for the year. It is the result of subtracting the figure in Box 4 from the figure in Box 3. Enter this amount on line A of IRS Notice 703, or on line 1 of either Worksheet #1, shown earlier, or the worksheet in the Form 1040 instruction package.

If there are parentheses around the figure in Box 5, it means that the figure in Box 4 is larger than the figure in Box 3. This is a negative figure and means you repaid more money than you received in 1989. If you have any questions about this negative figure, contact your local

Social Security Administration office. If you receive more than one Form SSA-1099 (or if you are married and filing jointly and both you and your spouse receive a Form SSA-1099), a negative figure on one Form SSA-1099 is used to offset a positive figure on another Form SSA-1099. For more information, see *Repayments More Than Gross Benefits*, earlier.

Form SSA-1042S (Nonresident Aliens)

This form is for nonresident aliens. It contains the following four additional items that do not appear on Form SSA-1099.

Box 6—Rate of Tax

This is the rate at which tax was withheld from one-half of your benefits. If tax was withheld at more than one rate during the year, the percentage shown will be the tax rate in December 1989. The tax rate for most nonresident aliens is 30%. The figure "0" will appear in this box if you were not taxed in December or if you claimed a tax treaty exemption. Benefits received by residents of Canada, Egypt, Italy, Japan, Malta, Romania, and the United Kingdom are exempt from U.S. tax. See Publication 519 for more information on nonresident aliens.

Box 7—Amount of Tax Withheld

This is the amount of tax taken out of your Social Security checks. Tax is withheld for any month in which you were a nonresident alien (unless you claimed exemption under a tax treaty).

Box 8—Amount of Tax Refunded

An amount in this block shows any tax SSA refunded to you. When SSA withholds tax from your checks by

mistake, they try to return it to you during the same calendar year. If SSA is unable to send the refund to you before the year ends, you must file a federal income tax return to get a refund of this tax.

Box 9—Net Tax Withheld During 1989

The figure in this box is the result of subtracting the figure in Box 8 from the figure in Box 7. This is the net amount of tax withheld from your benefits.

Form RRB-1099

This section explains the items shown on Form RRB-1099. Enclosed with this form will be a worksheet to help you figure if any of your benefits are taxable.

Box 1—Claim No. and Payee Code

Your claim number is a six or nine digit number preceded by an alphabetical prefix and is the number under which the portion of tier 1 Railroad Retirement benefits that is equivalent to Social Security benefits was paid. Your payee code is the number following your claim number after a hyphen and is used by the Board to identify you under your claim number.

Box 2—Recipient's Identification Number

This is the Social Security number, if known, of the person whose name is shown on Form RRB-1099.

Box 3—Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 1989

The figure shown in this box is the total amount of the benefits paid to you in 1989. It is the amount *before* any deductions were made for:

Medicare premiums,
Garnishment,
Assignment,

PAYER'S NAME, STREET ADDRESS, CITY, STATE AND ZIP CODE		1989		STATEMENT FOR RECIPIENTS OF:		PAYMENTS BY THE RAILROAD RETIREMENT BOARD	
UNITED STATES RAILROAD RETIREMENT BOARD							
844 RUSH STREET CHICAGO, IL 60611							
PAYER'S FEDERAL IDENTIFYING NO. 36-3314800							
1. Claim No. and Payee Code		3. Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 1989					
2. Recipient's Identification Number		4. Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 1989					
Recipient's Name, Street Address, City, State and Zip Code		5. Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 1989					
		6. Worker's Compensation Offset in 1989					
		7. Social Security Equivalent Benefit Portion of Tier 1 Paid for 1988					
		8. Social Security Equivalent Benefit Portion of Tier 1 Paid for 1987					
		9. Social Security Equivalent Benefit Portion of Tier 1 Paid for Years Prior to 1987					

FORM RRB-1099 **DO NOT ATTACH TO YOUR INCOME TAX RETURN**

COPY C—
FOR RECIPIENT'S RECORDS
THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE

Recovery for an overpayment, including recovery for Railroad Unemployment Insurance Act benefits received while awaiting payment of your railroad annuity, and

Workers' compensation offset.

The figure in Box 3 is the amount **after** any deductions were made for:

- 1) Work deductions,
- 2) Actuarial adjustment, and
- 3) Annuity waiver.

The amount in Box 3 also includes any benefits paid to you in 1989 that were for one or more earlier years after 1983. If any benefits were paid for 1988, that amount is shown in Box 7. If any benefits were paid for 1987 or 1986, that amount is shown in Box 8. If any benefits were paid for 1985 or 1984, that amount is shown in Box 9. The amount in Box 3 does not include payments you received in 1983 that were for months prior to December 1983 because they are not taxable. The amount you received in January 1989 for December 1988 is included in Box 3.

Example 1. For the period January through March 1989, you receive Railroad Unemployment Insurance payments of \$300. You became eligible for the Social Security equivalent benefit (SSEB) portion of tier 1 benefits of \$509 a month beginning January 1, 1989, but you did not receive your first payment until April 1989. The payment you received in April was for the first three months of 1989. However, since you received unemployment benefits during the same period, \$300 was deducted from your initial benefit check. Instead of receiving \$1,527, you received \$1,227. For the months of April through November, you were paid your regular monthly SSEB portion of tier 1 benefits of \$509. Box 3 of your Form RRB-1099 will show \$5,599 (\$509 × 11 months) as the gross SSEB portion of tier 1 benefits paid to you in 1989, even though you did not actually receive that amount. This is because Box 3 shows the gross amount of your benefits before any reductions were made for the unemployment benefits paid to you.

Example 2. You received tier 1 benefits of \$600 a month for the months of December 1988 through May 1989. Your monthly tier 1 benefit consists of an SSEB portion of \$250 and a non-SSEB portion of \$350. Beginning in June, you became entitled to Medicare, and \$31.90 a month was deducted from your benefit checks for Medicare premiums. Therefore, the tier 1 payments you received for the rest of the year were \$568.10 a month. Box 3 of your Form RRB-1099 will show the gross SSEB portion of tier 1 benefits of \$3,000 (\$250 × 12 months) paid to you in 1989, because it is the gross amount before deductions for your Medicare premiums. The remainder of your tier 1 payments, the non-SSEB portion of \$4,200 (\$350 × 12 months), will be shown on Form RRB-W-2P that you will receive along with your Form RRB-1099. This is also the gross amount before deductions for your Medicare premiums. For more information on Form RRB-W-2P, see Publication 575.

Box 4—Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 1989

The figure shown in this box is the total SSEB portion of tier 1 benefits you repaid to the Railroad Retirement Board in 1989. You may have repaid a benefit by

returning a check, making a cash refund, or having an amount withheld from your payments. Also, an amount may have been withheld from another benefit, such as a Social Security benefit, to recover an SSEB overpayment you received.

The amount in Box 4 also includes any Social Security equivalent benefits you repaid in 1989 that were for one or more years before 1989. All tier 1 repayments for years before 1986 are treated entirely as Social Security equivalent benefits.

Example 1. You returned to work for your last railroad employer for the months of June through August 1989. The SSEB portion of your tier 1 benefit was \$450 for each of those months. Since you are not allowed to receive benefits for any month you returned to railroad service, you have to make a repayment to the Board. You returned the benefit payment for August 1989 and made a full cash refund to the Board for the June and July benefits you received. Box 4 of your Form RRB-1099 will show \$1,350 as the SSEB portion of tier 1 benefits you repaid to the Railroad Retirement Board.

Example 2. From January through April 1989 you were overpaid \$800 in the SSEB portion of tier 1 benefits. From May through August 1989, \$200 a month was withheld from your benefit payment to fully recover the \$800 overpayment. Box 4 of your Form RRB-1099 will show \$800 as the SSEB portion of tier 1 benefits you repaid to the Railroad Retirement Board.

Example 3. As a retired railroad employee, you have been receiving a Railroad Retirement annuity, including an SSEB portion of tier 1 benefits, since 1988. You also became entitled to, and received, a Social Security benefit of \$300 a month beginning May 1, 1989. The Social Security Administration later authorized the Railroad Retirement Board to pay that benefit. In August 1989 the Board began paying your Social Security benefit to you and reduced the SSEB portion of your monthly tier 1 benefit by \$300. Social Security benefits of \$900 covering the period May through July 1989 were kept by the Board to offset your \$900 SSEB overpayment for that period. Box 4 of your Form RRB-1099 will show \$900 as the SSEB portion of tier 1 benefits you repaid to the Railroad Retirement Board. (Note: The Social Security Administration will send you Form SSA-1099, which will include the \$900 in benefits paid by them.)

Box 5—Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 1989

The figure shown in this box is the net amount of the SSEB portion of tier 1 benefits paid to you for the year. It is the result of subtracting the amount in Box 4 from the amount in Box 3. Use this amount to determine if any of your benefits are taxable. See *Part of Your Social Security and Equivalent Railroad Retirement Benefits May Be Taxable*, earlier, for information on how to figure your taxable amount, if any.

If there are parentheses around the figure in Box 5, it means that the figure in Box 4 is larger than the figure in Box 3. This is a negative figure and means you repaid more money than you received in 1989. If you receive more than one Form RRB-1099 (or if you are married and file a joint return), use any negative figure on one Form RRB-1099 to offset a positive figure on another Form RRB-1099. For more information, see *Repayments More Than Gross Benefits*, earlier.

Box 6—Workers' Compensation Offset in 1989

The figure shown in this box is the amount you received in workers' compensation benefits during the year that was used to offset the full amount of your tier 1 payments. The SSEB portions of your tier 1 benefits shown in Boxes 3 and 5 include the amounts you received from workers' compensation. Your workers' compensation amount is shown in this box separately only for your information. If you did not receive workers' compensation benefits, Box 6 is blank.

Example. Your tier 1 benefit of \$450 a month is reduced to \$400 because of a \$50-a-month workers' compensation offset. Box 3 and Box 5 of your Form RRB-1099 will show \$5,400 ($\$450 \times 12$ months) as the SSEB portion of tier 1 benefits paid to you by the Railroad Retirement Board because this is the amount before any deductions were made for the workers' compensation offset. Box 4 will show zero because you did not make any repayments during the year. Box 6 of your form will show \$600. In figuring if any of your benefits are taxable, you must use \$5,400 as the amount of the SSEB portion of tier 1 benefits paid to you.

Boxes 7 and 8—Social Security Equivalent Benefit Portion of Tier 1 Paid for 1988 or 1987

The figure shown in each applicable box is the amount of SSEB benefits paid to you in 1989 that was for 1988 or 1987. This amount is included in the amount shown in Box 3.

Box 9—Social Security Equivalent Benefit Portion of Tier 1 Paid for Years Prior to 1987

The figure shown in this box is the amount of the social security equivalent benefit portion of tier 1 benefits paid to you in 1989 that was for 1986, 1985, or 1984. This amount is included in the amount shown in Box 3. The entire tier 1 benefit paid before 1986 is treated as a social security equivalent benefit.

If you believe the amount in Box 9 covers benefits for more than one year, you can request a breakdown of the amount by year. Write to:

U.S. Railroad Retirement Board
Attn: BRC-TAX-IAS
844 N. Rush Street
Chicago, IL 60611

Form RRB-1042S (Nonresident Aliens)

This form is for nonresident aliens. It contains the following three additional items that do not appear on Form RRB-1099.

Box 10—Country

The country where you maintain your legal residence is shown in this box. If you maintained legal residence in more than one country during the year, this box will show the country as of December 1989.

Box 11—Rate of Tax

The figure in this box is the rate at which tax was withheld from one-half of the SSEB portion of tier 1 benefit payments you received. If tax was withheld at more than one rate during the year, the percentage shown will be the tax rate in December 1989. The tax rate for most nonresident aliens is 30%. The figure "0" will appear in this box if you were not taxed in December or if you claimed a tax treaty exemption. Benefits received by residents of Canada, Egypt, Italy, Japan, Malta, Romania, and the United Kingdom are exempt from U.S. tax if a treaty exemption is claimed.

Box 12—Federal Tax Withheld

The figure in this box is the total amount of U.S. income tax withheld from the SSEB portion of tier 1 benefit payments you received in 1989. Tax is withheld for any month in which you were a nonresident alien (unless you claimed exemption under a tax treaty).

Index

- Base amount.....2
- Equivalent Railroad Retirement benefits.....15
- Examples.....4-6
- Form RRB-1042S.....17
- Form RRB-1099.....15-17
 - Illustrated.....15
- Form SSA-109C.....12-14
 - Illustrated.....13
- Form SSA-1042S.....15
- How much is taxable.....3
- How to report.....3
- IRA deduction, figuring.....3
- Joint return.....2
- Lump-sum benefits.....6-8
- Modified adjusted gross income.....3
- Nonresident aliens.....2, 15, 17
- Railroad Retirement benefits.....15
- Repayments more than gross benefits.....6
- Reporting.....3
- Social Security benefits.....13
- Tax-exempt interest.....3
- Taxation of benefits.....1-9
- Who is taxed.....2
- Worksheets, blank.....10-12

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